

The complaint

Mr W complains that Lloyds Bank PLC ('Lloyds') refused to present a banker's draft for collection or return the banker's draft to him.

What happened

Mr W had a bank account with Lloyds. He deposited a banker's draft for 9,600 Euros drawn on a French bank in August 2021. Mr W said he was given the cheque after he sold a car abroad, which was something he said he did with some regularity.

Lloyds contacted Mr W and told him it had concerns about the validity of the cheque. Lloyds also provided him with the contact number of the team who queried the cheque, but Mr W was unable to get through to them. Mr W then provided Lloyds with documentation related to the sale of the car. He also told Lloyds that he spoke to the buyer of the car and was told that the money left the buyer's account on the day Mr W was given the cheque, and was in a holding account waiting to be transferred.

Mr W asked for the cheque to be returned to him, but Lloyds declined his request. Mr W complained to Lloyds in September 2021.

Lloyds responded in October 2021 and said it could stop or delay any payment if it thought it should be reviewed further. So it said it hadn't been able to credit the funds to Mr W's account or to return the cheque. Lloyds apologised that it hadn't been able to provide timescales for this matter to be resolved. It also offered Mr W £25 compensation for providing him with incorrect contact information.

Mr W remained in contact with Lloyds and it issued a second complaint response in December 2021. It said that based on new information Mr W provided, and what it already knew, it wasn't changing its decision. It said any decision to withhold a credit to Mr W's account is within the terms and conditions of the account.

Mr W remained unhappy and so brought his complaint to this Service. He said he understood fraud was a problem nowadays, but he thought Lloyds could have contacted the issuing bank to see whether the cheque was genuine. He was also unhappy with the amount of time it took for Lloyds to deal with this matter. Mr W asked that Lloyds either pay or return the cheque, and said it had only a one year life span.

Our Investigator looked into the complaint and asked Lloyds to contact the issuing bank to see if the cheque was valid. Lloyds declined. It said it acted in line with the terms of the account when it refused to process a cheque where there were concerns about the cheque's validity. Lloyds agreed it hadn't provided Mr W with an update, but thought the compensation already offered was reasonable in the circumstances.

Our Investigator concluded their investigation and said Lloyds acted in line with its own terms and conditions, which said it could stop or delay any payments if it had concerns or wanted to review things further. They said given Lloyds' concerns about the cheque, it wouldn't have been appropriate to return this to Mr W. Our Investigator also said it wasn't

part of Lloyds' processes to contact the issuing bank in these circumstances. But our Investigator thought Lloyds allowed Mr W to believe the case was still being investigated when the decision to reject the cheque had already been made, so he asked Lloyds to pay an additional £100 compensation for any inconvenience and frustration this caused Mr W.

Lloyds agreed to pay the additional compensation.

Mr W didn't agree with what our Investigator said. He said he'd been told by Lloyds that foreign currency cheques are always submitted for collection, so money was withheld from him for around 30 days until the issuing bank provided the money. Mr W said this was how Lloyds dealt with foreign currency cheques from him in the past. Mr W also felt that if Lloyds were suggesting a criminal activity had happened here, then it should have ensured the matter was passed to the correct authorities.

Our Investigator responded to Mr W's concerns and said Lloyds had advised that cheques go through technical checks before a decision is made to negotiate or collect a cheque. Where there are concerns about the validity of a cheque, it wouldn't be passed for a decision to be made about negotiating or collecting, which our Investigator thought was reasonable.

As Mr W didn't agree with what our Investigator said, this came to me to review.

I contacted Mr W and he confirmed he hadn't taken any other steps, for instance contacting the buyer, to recover payment for the car. Mr W said his main complaint point was that Lloyds didn't make enough of an effort to look into the validity of the cheque.

I also contacted Lloyds and told it I thought it hadn't done enough to confirm whether the cheque deposited by Mr W was genuine. I said that as Mr W was potentially facing a financial loss, there was a further step it could have taken that would have placed neither it nor Mr W at risk of losing money. So I said it should have presented the cheque for collection. By this time the cheque had expired and so couldn't be presented, so I asked Lloyds to contact the issuing bank to ask it to confirm if the cheque was genuine.

Lloyds made contact with the issuing bank and didn't receive a response. This Service then also made contact and, again, no response was forthcoming.

I issued a provisional decision on 15 March 2024. I said I intended to tell Lloyds it needed to increase the compensation to Mr W and pay an additional £375. I gave both parties the opportunity to respond.

Mr W responded and said he agreed Lloyds should have presented the cheque for collection. He said he feels it's due to Lloyds' negligence and its failure to carry out a logical task that he has suffered a financial loss of around £9,000. Mr W said he found it contemptuous that Lloyds told him it was still considering this matter, when a decision had clearly been made months before. Mr W said he felt Lloyds' behaviour, in terms of a complete lack of customer care, should not go unpunished.

Lloyds didn't respond.

I am now in a position to issue a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It's the case that this Service will rarely interfere with security measures that are taken by financial institutions to protect both them and their consumers. In this case, I think Lloyds acted reasonably, and in line with its terms, when it initially stopped the payment of the cheque when it became concerned about its validity.

I know Mr W would like to have known more about Lloyds' reasoning for initially stopping the payment but, broadly speaking, banks don't have to disclose to consumers just why it is they've chosen to take particular security measures, however frustrating this is for consumers. So I won't be asking Lloyds to disclose any more to Mr W than it already has.

But security measures have to be applied fairly and in a timely way, so I've looked at how Lloyds dealt with this particular matter, and I don't think it acted fairly towards Mr W. I'll explain why I say this.

In this particular case, I can see why Lloyds was concerned about the cheque, but I don't think the initial concerns raised were enough for Lloyds to make a decision that it was definitely not a valid cheque. And I can see that, in fact, Lloyds didn't arrive at that conclusion – it referred to the cheque as simply 'suspicious'. There was no definitive conclusion about its validity. So given that it wasn't confirmed as being fraudulent and given Lloyds has an obligation to its customers to ensure it acts in their best interests, I think it should have taken all reasonable steps to verify the cheque. And I think there was a further step it could have taken, and should have taken here.

I'm satisfied that Lloyds should have presented the cheque for collection. While Lloyds told this Service that it is at risk if it deposits the cheque, the fact is that if the cheque is presented for collection, this does not place Lloyds, the issuing bank or indeed Mr W at any risk. And I can see from Mr W's account history that Lloyds has presented numerous large, foreign currency cheques for him in this way in the past. So I think Lloyds should have presented the cheque for collection which, as I said, would have removed the risk of non-payment. If Lloyds had wanted to forewarn the issuing bank that it had concerns about the cheque, then it could have done that.

By the time this came to me for a decision Mr W's cheque had already expired, so it was too late for Lloyds to present it for collection. And the attempts then made by Lloyds and this Service to contact the issuing bank were not successful.

The position this puts Mr W in is that the cheque cannot be presented at this late stage, and it has not been confirmed, with any certainty, that the cheque is not valid. And I think Lloyds are at fault for Mr W being in this uncertain situation now. So given that Lloyds made an error here in not presenting the cheque for collection, I've gone on to consider what the appropriate redress is.

Although it's possible that Lloyds has placed Mr W at a financial disadvantage by not depositing the now expired cheque for collection, I don't think it would be fair to get Lloyds to reimburse the amount of the cheque to Mr W when there's still a question about its validity.

I've also taken into consideration that there is another avenue open to Mr W for him to recover any monies owed to him here – he has the option of going back to the buyer and taking whatever steps are appropriate to recover the money that way. So as long as that route remains open to him – and it is the buyer who still owes money to Mr W – it wouldn't be fair, as I said, to ask Lloyds to reimburse the amount of the cheque to him.

But I think Lloyds needs to compensate Mr W for the impact its errors have had here. When Mr W responded to my provisional decision, he was understandably keen that Lloyds' behaviour towards him shouldn't go unpunished. But this Service doesn't punish businesses

for making errors – that’s not our role. We consider the distress and inconvenience caused by the error and award what we consider to be a fair amount of compensation.

Mr W has told this Service about the number of emails sent, phone calls made to Lloyds, as well as branch visits. These were made over a lengthy period of time and wouldn’t have been necessary if Lloyds had presented the cheque for collection and at least Mr W would have had a definite answer about the validity of the cheque.

I’ve also taken into consideration that while the initial checks and the decision not to deposit the cheque were made quickly by Lloyds, the fact is it did not communicate this to Mr W in a timely way. In fact it told Mr W, in a complaint response letter issued two months after he deposited the cheque, that it was still looking into this matter and couldn’t give him a timeframe for when its investigations might be complete. But Lloyds wasn’t still looking into this matter – it had made a decision some time before not to take any further action to verify the cheque. So it should not have misled Mr W. I think the stress experienced by Mr W was heightened because of the length of time it appeared to be taking Lloyds to deal with this matter.

Lloyds has already awarded £25 compensation to Mr W for providing him with incorrect contact information, and I think this is a fair amount for the inconvenience that particular matter caused. I’m satisfied that a further £375 is a fair amount to compensate Mr W for the distress and inconvenience caused by Lloyds’ error, as outlined above.

Mr W also wanted Lloyds to return the cheque to him. However, I don’t think it needed to do this. While, as I said, I don’t think Lloyds did enough to establish whether the cheque was genuine, the fact is it made the decision to deal with it as if it wasn’t, and so it wouldn’t have been right to hand what it thought was a fraudulent cheque back to him.

Putting things right

- Pay the £25 already offered to Mr W for providing him with incorrect information.
- Pay an additional £375 compensation for the distress and inconvenience caused by Lloyds’ failure to do enough to verify the cheque and by leading Mr W to believe the investigation was still ongoing when this wasn’t the case.

My final decision

I require Lloyds Bank Plc to pay Mr W a total of £400 compensation, as outlined above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr W to accept or reject my decision before 22 April 2024.

Martina Ryan
Ombudsman